

in 1797) and a meeting of the bank officers decided that it would be necessary for the Scotch banks to follow the example of the Bank of England. There were symptoms of a run for a few days, and the disappearance of specie led to the cutting of £1 notes into quarters to afford a currency for small transactions.¹ The Lord Provost called a meeting of the principal inhabitants, who resolved to support the credit of the banks and to receive their notes as specie. Banks which had been in the habit of issuing notes were allowed to issue notes for five shillings for a limited period and confidence quickly returned. No action was ever brought against the banks for their failure to pay specie, the notes were received as confidently as ever, and in a short time business activity was resumed and continued throughout the long Napoleonic wars. The banks, in the language of the report to the Lords in 1826, "supported themselves from 1797 to 1812 without any protection from the restriction by which the Bank of England, and that of Ireland, were relieved from cash payments."

The policy of the English Bank Act of 1844, to suppress the evils of speculation by restricting bank-note circulation, was extended to Scotland in 1845,² but several of the provisions regarding the Scotch banks differ from those affecting the English banks. The banks of issue existing in Scotland at the time of the passing of the act were allowed to retain an authorized circulation equal to the average during the year ending on the 1st of May, 1845. They were also authorized to issue additional notes when fully covered by deposits of coin at the head office or principal place of issue. Not more than one-fifth of this coin deposit was to be in silver. The Scotch banks, therefore, stood upon an equality in issuing notes upon deposits of coin beyond the authorized limit, while the English banks except the Bank of England were absolutely limited. No new bank of issue could be founded, however, in Scotland. The authorized circulation of the Scotch banks, as ascertained under the new law,

¹MacLeod, *Theory of Credit*, II., 601.

²8 and 9 Victoria, c. 38.